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The **Management** **REVIEW**



APRIL, 1944

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AMERICAN MANAGEMENT ASSOCIATION
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CONTENTS

APRIL, 1944

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The Management REVIEW

Partial List of Contents

The Management Index	
Our Mythical Savings	110
Barron's	
Which Industries Should Be Decentralized?	113
Advertising & Selling	
Organization Planning: A Continuing Job	117
Executives Service Bulletin	
A New Tool for Interviewers.....	119
By FRED M. FOWLER	
Scheduling and Control of Pro- duction	123
Your Business and Postwar Re- adjustment	
How to Evaluate Educational Materials	127
School Management	
The Cost of Reconversion	130
N.A.C.A. Bulletin	
The Pension Rush	132
The Wall Street Journal	
Industrial Hazards and Their Prevention	134
Industrial Medicine	
And Others	
Survey of Books for Executives	
Employee Counseling	136
Reviewed by J. H. Mason	
And Others	

HOPE for a peacetime boom is based in large part on our immense wartime savings, but postwar planners who expect to float to prosperity on a billowy sea of savings may be sadly disillusioned. According to Shelby Cullom Davis (page 110), our current savings are more than offset by our mounting federal debt; and there is danger we may be eventually smothered in the mammoth volume of savings rather than stimulated by them. Mr. Davis predicts that our national deficit will dominate our business and everyday lives for many years to come, as "Monsieur the debt" did in France in the last days of the *ancien regime*.

Randolph Paul has estimated that our wartime savings totaled \$55 billion for the 3½ years ended June 30, 1943, but the Department of Commerce more optimistically places our "liquid dynamite" for the four years ending 1943 at no less than \$84 billion. Either figure is impressive, but more impressive is the fact that in the same period our federal debt has risen nearly \$130 billion. Our deficit this year alone will run close to \$57 billion. We cannot be casual about this large debt, declares Mr. Davis, for its service will exert heavy pressure upon the postwar economy. Indeed, the increase in taxes after the war will doubtless exceed our income from savings—presaging a lower standard of living.

A determined effort must be made to bring our current expenses in line with current income, and realistic plans laid to shoulder our national debt after the war without recourse to "deficit financing." And, most important in the opinion of Mr. Davis, private enterprise must be stimulated (through establishment of a sounder corporate tax structure, etc.) to employ the men who will pay the taxes.

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April, 1944

109

THE MANAGEMENT INDEX

General Management

Our Mythical Savings

ONE-EYED economists, who can see only the asset side of the national balance sheet, have generated in the United States a false sense of security in the size of national savings. With their vision concentrated on that pleasing item of savings, they have ignored the liabilities side of the ledger which contains the record of the public debt.

We cannot afford to be casual about our mammoth federal debt. It will dominate our business, our finance, our everyday lives in the years to come. "Monsieur the debt," people used to call it familiarly in France in the last days of the *ancien régime*. Unquestionably the debt and the continued large taxes which its service and other government expenditures will require will exert heavy pressures upon our economy in the future. Those who expect to float to postwar prosperity on a billowy sea of savings may become sadly disillusioned, once the filling of our presently pent-up demands has ceased to exert a dominant influence.

There are three principal reasons for our relative complacency toward our huge, growing debt:

1. We are glibly accepting as lasting our present success, if it can be called

such, in carrying this burden. The present, of course, is no test of our ability to carry a \$200 billion to \$250 billion debt in normal times. Business now is at record levels.

2. We believe that war has made a gigantic debt inevitable and that there is nothing we can do about it. But obviously we ought to keep the debt as low as possible and begin laying realistic plans for shouldering it after the war without further recourse to deficit financing.

3. We are being lulled by overly optimistic predictions of postwar prosperity which will be financed with the enormous savings currently being amassed. The Department of Commerce estimates that our savings in the four years ending 1943 totaled no less than \$84 billion.

The widespread acceptance of the reality of our wartime savings shows how deeply the ideas of our monetary expansionists, our "free spenders," such as Professor Alvin H. Hansen, Lauchlin Currie and Stuart Chase, have permeated our thinking. Deficits, in fact, seem to have become assets by sheer power of accumulation. Recently the writer examined a large file of press clippings from all over the country which was

maintained by a leading financial association. With but one or two exceptions, all clippings for the past two years fairly dripped with the magnificence of our savings.

There are just two things wrong with the picture:

1. As a nation, we are not saving on balance, because our debts are mounting faster than our savings. "This marvelous prosperity," as it was aptly remarked on the floor of Congress recently, "is founded wholly upon government debt, and when that debt is handed down to posterity it will be the end of ancestor worship."

2. Although individuals have stored up more in bank balances, savings deposits and war bonds than in the past, it is possible the extent of these savings has been exaggerated. Broadway queues, \$100 neckties in Detroit, and increasing farmland speculation suggest this may be true.

Even assuming that our savings have increased \$84 billion in the past four years, our federal debt has risen nearly \$130 billion. The reduction of consumer debt as well as corporate, municipal and state debt that has occurred by no means compensates for the difference. There has been a net increase in debt which by the end of 1943 probably totaled at least \$40 billion, and it is steadily going higher.

If it be remarked that payment of interest on the national debt will be relatively insignificant since "we owe it to ourselves," then does not the corollary follow that the income from our savings is equally insignificant? In reality the increase in taxes after the war will undoubtedly be greater than the increase in income received from savings. In fact, some of our citizens may feel like Will

Rogers when invited to join a new fraternal order. "I am sorry," said Will, "but I am out of dues."

To be specific: The average factory worker received an annual wage of \$1,275 in 1939 and in 1943 an estimated \$2,200. In 1939 a married man with no dependents paid no tax on a \$2,200 income. Today he pays approximately \$245 on the same income. Taking into account the 25 per cent rise in the cost of living since 1939 and the natural desire of a person in the lower-income group to spend more on clothes, food, and other consumption articles, to which record retail sales testify, it seems doubtful whether this statistical man has put aside much above his 10 per cent in war bonds. Even if he has saved \$1,000 in war bonds, his interest at 2½ per cent amounts to only \$25 annually. Compare this with the \$245 he has to pay in taxes.

Objections can be raised against this line of reasoning. For example, the average person, particularly in the lower, mass-consumption brackets, may cash in his war bonds rather than receive interest or investment increment. In fact, turn-ins are currently remarkably high (\$201 million in December), when it is considered we are still at war, jobs are plentiful and, if our "inflationary gap" statisticians are to be believed, there really isn't anything to spend the money on anyway. Such cashing in will provide a fillip—a boom if on a widespread scale—but after it is all over, the situation will be worse than before. The savings pocket will be empty, but taxes must be paid out of the other just the same.

Probable postwar government expenditure is a subject in itself. Much depends on the level of our military and naval expenditures. Suffice to say, conserva-

tive sources such as Senator Taft and the National Association of Manufacturers predict a budget in the neighborhood of \$20 billion.

Taxes have reached such a volume that they are compelled to dip into the mass-consumption group, those with incomes below \$2,500. It is estimated that no fewer than 50 million returns will be filed on 1943 income, compared with 2 million in 1932—in effect, transforming the income tax from a class to a mass tax.

Looked at in the large, would it be surprising if the most extravagant outpouring of money and resources in our history for non-productive purposes did not result for a time in a general lower-

ing of living standards? "There is no escape from the costs of war," Secretary Morgenthau has truly said.

One partial avenue of escape does lie open to us (I exclude deficit financing). We must seek bold ways of stimulating private enterprise, such as by a complete overhauling of our corporate tax system and by providing the political conditions necessary for enterprise to work with confidence.

Corporate enterprise, in short, must be given every encouragement to employ the men who will pay the taxes.

Let's face it now, rather than be lulled into false security by our mythical new savings. BY SHELBY CULLOM DAVIS. *Barron's*, March 6, 1944, p. 5:2.

Survey Indicates Potential Peacetime Boom

IF the replies received from an inquiry made of 25,000 families by the Northwestern National Life Insurance Company are any indication, the automobile, construction and radio industries are in for a terrific postwar boom. Replies to the Northwestern survey indicate that more Americans will buy a new automobile within the first year of the war's ending than any other major item. A new home is second in the list of hearts' desires, with a new radio ranking third. An extensive trip, either foreign or American, ranks fourth in the list of wishes to be fulfilled after the war.

Slightly more than 50 per cent of those responding in the poll planned to buy a motor car within the first year wartime restrictions are removed. A third of the replies revealed plans to build or buy a new home after the war. (Of these families, 60 per cent intend to build, 32 per cent plan to buy, and 8 per cent are undecided.)

A desire for new household equipment was strongly indicated by the survey. A new radio was wanted by 30 per cent; a new refrigerator, by 23 per cent. New heating plants are the desire of 10 per cent, and 7 per cent would like home air conditioning equipment.

One woman, baring her very soul, frankly admitted she wanted nothing so much in this world after a new automobile, radio and a trip as a "decent girdle." It is to be hoped that the brave new world envisioned for peace days will be capable of granting her wish.

—Commerce 2/44

• **WILLIAM FILENE'S SONS COMPANY**, Boston department store, plans postwar helicopter service between Boston and all leading New England cities to expedite deliveries. The Hub, Baltimore, also has applied to the Civil Aeronautics Commission for postwar operation of helicopter delivery service. In New York City, the Sixth Avenue Association has projected a number of helicopter landing points in the midtown and financial districts, one of which would be the roof of Gimbel Brothers.

—JACK B. WALLACE in *Nation's Business* 2/44

Which Industries Should Be Decentralized?

CAN our entire industrial structure be decentralized? Obviously not; proposals for wholesale decentralization are highly unrealistic. However, there is growing recognition of the necessity for decentralizing output of certain basic products and commodities in order to fill the postwar needs of our own population and some 350 million hungry and ragged people in liberated lands. Specifically, then, what industries can be decentralized in small towns and rural areas?

No one would be foolish enough to suggest that the vast automobile, steel or tire industries should be lifted out of Detroit, Akron and Pittsburgh, split up, and relocated in thousands of small cities and villages. Leave them where they are.

The great meat-packing industry is concentrated in the hands of less than a dozen big corporations with headquarters in Chicago. The flour milling business is synonymous with Minneapolis and Kansas City. The cereal food business, with Chicago, St. Louis, Buffalo, Battle Creek. None would be profitable if divided into small units and placed in small towns. But, generally speaking, the food industry is ripe for reorganization and decentralization. Thousands of food factories can be built in the 16,000 or more small cities and towns where raw foods are produced.

Men's ready-to-wear clothing is produced by a few nationally known corporations located in Chicago, New York, Rochester, Philadelphia and St. Louis. No small-town factory can match their capital and buying power or meet their

competition. No small-town industries in women's cloak and suit manufacturing would have a chance to win. However, there are thousands of small cities and towns which can manufacture men's shirts, pajamas and work clothes, and women's, misses' and children's dresses, underwear, and other cut and sewn garments.

The shoe business was centered in and around Boston for more than a hundred years, but now its citadel is St. Louis, near the center of raw leather production. This city has the first and third largest shoe corporations and many plants in surrounding small towns. No man who knows anything about the shoe business would build an independent plant in any small town.

The heavy machinery, heavy chemicals, farm implement, air conditioning, and major electrical industries are all set. Leave them alone. None would be profitable for small towns. Yet small electrical appliances can be profitably manufactured in country towns.

Grand Rapids, Rockford, Philadelphia, and a few other cities produce the bulk of the furniture that goes into our homes. It should be manufactured and distributed by hundreds of modern small plants located at or near the source of the heavy raw materials used.

The bedding industry is centralized in Chicago and several other industrial cities. More than 60 per cent of our people live in Rural America and produce 78 per cent of the raw materials of industry. They foresee a postwar building boom and want small-town bedding and mattress factories.

The textile industry is thoroughly entrenched. It may ultimately be decentralized, but that's a long time away. A few cotton mills in the South and woolen mills in the sheep states of the Northwest are omens of decentralization.

Floor coverings are in the hands of a few powerful corporations, and competition is keen. They are all set, and those who think they can be whipped by small-town plants, making the same grades, are certainly "all wet." However, hand-hooked rugs, mats and chenille bedspreads can be profitably made and sold by small-town plants. Many are already doing it and are making money.

The huge petroleum industry with its many by-products is centered in the oil-producing areas or near pipelines which are corporation-owned. They are doing a good job, despite wartime restrictions. Much consumer condemnation is undeserved.

Pharmaceuticals, pianos and other minor industries are not ripe for decentralization and should not be disturbed,

but there is nothing to prevent a local chemist from developing a line of valuable formulas and starting his own business in his home town. That is how the Norwich Pharmacal Company was born in a town of only 10,000 people.

The executive vice president of one of America's largest food corporations has expressed himself as follows:

"We favor a large number of well-managed factories in our small towns. There are some 50,000 factories strung out all over the United States, but many are in a failing condition. Small-town plants should be equipped with modern machinery, operated under tested methods, and managed as carefully as we manage our own plants located in small towns.

"Eventually we and other large corporations may acquire the profitable small plants as licensed units and work out a plan that should greatly reduce federal taxes. This offers great possibilities." BY ROY B. SIMPSON. *Advertising & Selling*, March, 1944, p. 96:3.

There has been a developing demand for the acceptance, by our industrial leadership, of a different type of economic responsibility as affecting the security and social progress of our people. It has become clear that American business leadership must superimpose upon its normal functions a broader philosophy of management—one that must take the form of economic statesmanship. . . .

It is in periods of great adjustment and rapid evolution that the prevailing forces develop the maximum effect. For then all is in a state of flux. The dangers are then the greatest; the opportunity for constructive accomplishment, the most far-reaching; the necessity of intelligent cooperation, the most essential. Leadership under such circumstances demands courage, imagination and faith.

—ALFRED P. SLOAN, JR., before the National Association of Manufacturers

Back the Attack!—Buy War Bonds

Office Management

A Practical Office Training Plan

THE training of office personnel and the building of clerical reserves for future needs are problems of vast importance currently to office executives. A training plan which approaches these problems in a practical manner has been developed by the transcribing department of the Manufacturers Trust Company, New York City.

This training program is aimed at office page girls and is designed to increase their interest in the organization, to inspire them to give more attention to their present positions, and to provide them with the desire and the opportunity for advancement (thus establishing a reserve personnel for future replacement purposes). The plan, in brief, is this:

The personnel records of the pages are examined to determine what education they have had. Those found to have studied stenography or typing are given the opportunity to attend daily classes of one or two hours' duration in order to develop these skills. Upon satisfactory completion of a six or eight weeks' course test (depending upon the time required in the individual case for adequate training), the trainees are promoted to junior positions as vacancies occur.

Those with stenographic knowledge are given dictation each day, the speed increasing as they go along. In teaching the use of dictating machines to girls interested in transcription work, cylinders which have been previously transcribed are used to educate the trainees—an indication of the practical nature of

the course. As trainees in this particular line of work advance, they frequently take care of some of the overflow from the central transcribing department.

The first day of the course for each typist and stenographic trainee is devoted to ascertaining what she can actually do. An hour of copy work generally determines this. In most cases the girls require practice to correct uneven touch. Various exercises are given, including five minutes of "limbering up" exercises before starting copy work. The "limbering up" exercises consist of writing a sentence containing all the letters of the alphabet.

The practice copy work consists of interesting articles on "The Art of Telephoning," "Have You an Inquiring Mind?", "Work Can Be Fun," and a rough-draft test containing corrections such as might be made in a manuscript. This manuscript is also an interesting, instructive article—on the subject, "Everyone Should Look Forward to Earning His Own Living."

After this type of work has been mastered, an attempt is made to determine what the trainee knows about setting up a business letter. She is handed a sheet containing seven letters of varying lengths, including the names and addresses and the texts of the letters. The trainee is required to type each of these letters on a regular letterhead, and this incidentally tests her ability to judge placement on a sheet.

After six months of employment the pages are temporarily transferred to the

central transcribing department to be trained right on the job. The trainees work side by side with the senior personnel and receive their training within the precincts of the department.

In summary, the plan has proved a

practical and profitable investment of time and effort, yielding highly satisfactory results.

BY RUTH E. DELKER. *Office Equipment Digest*, November, 1943, p. 23:2

Keep 'Em Happy

THE Aircraft War Production Council, top coordinating group for Coast plane makers, reports member companies now maintain 88 different employee services—some familiar, such as helping with income tax returns and arranging loans, and some that handle the chores which consume employees' time (such as going downtown to take care of a traffic ticket). Companies providing such services declare they have resulted in reduced turnover and absenteeism.

Consolidated Vultee is one firm that takes care of traffic tickets. The employee may be fined, but he loses no time. And at Vultee Field, near Los Angeles, the company started and financed an employee-operated store that sells clothing, furniture, auto parts, and other goods, putting the profits into employee sports.

Other Vultee services: getting theater tickets, watch repairs (one week), shoe repairs (three days), laundry (one week), appointments with eye and other specialists.

Lockheed maintains a voting registration service for employees who, in California, may register anywhere, and an All-States Club where employees may meet people from home.

North American puts on a paid show at lunch once a week, varied with boxing and wrestling matches to meet different ideas of entertainment. Lockheed's style shows make it possible for women employees to keep up with what's what in the stores. Douglas cultivates employees' hobbies by holding exhibitions of photographs, paintings, needlework, metal work, and collectors' items from dolls to famous fliers' autographs.

Jury calls take time, but war workers may be excused. Vega Aircraft does that job for its personnel. Bill adjustments for the employee who paid in cash but lost his receipt are another Vega service.

Emergency needs for cash lead employed people many a long chase. Most of the companies have loan facilities, lend without interest. Ryan Aircraft lent more than \$11,000 the first eight months of this year at no interest. Only \$43 out of the \$11,000 was lost.

—*Business Week* 12/18/43

Zoning System

NEW YORK CITY'S Chain Store Publishing Corporation, borrowing an idea from the Post Office's new "zone number" system, has devised a similar plan for inter-office mail. Pick-up boxes, with large numerals cut from calendars pasted on them, are spotted at 36 essential locations. Employees are supplied with a directory sheet headed: "Address your inter-office mail by zone number, too!" Result: Even the newest office boys have no trouble in delivering memos quickly and correctly.

—*Forbes* 4/1/44

- A FIRM in St. Helen's, in northwestern England, has discovered a simple trick for reconditioning used carbon paper: The uncoated sides of used carbon sheets are passed over a steam pipe; they dry quickly and are then said to be as good as new.

—British Information Services

Personnel

Organization Planning: A Continuing Job

ORGANIZATION planning, as a continuous function in the Standard Oil Company of California, was an outgrowth of the depression, when it became necessary to adjust the company's forces to the rapid decline in production and sales. Initially, the effort was directed toward payroll economies forced upon industry generally.

There were two avenues of approach to the problem of retrenchment—by an arbitrary decision to make a drastic reduction based on some predetermined percentage, or by adopting the more conservative plan of reviewing each job to determine its necessity under the restricted operations brought on by the depression.

The management chose the latter course and initiated organization surveys extending into all departments: production, transportation, distribution, staff and service units. A department on organization was created to perform this function, and it has been responsible to the president since its inception. The personnel designated to undertake this assignment, selected from key staff positions in several departments, represented a cross-section of the company's talent. Generally, the surveying group consisted of engineers and accountants whose efforts were supplemented by the best talent available from the department or the organization under review.

A threefold purpose is served by this arrangement (and this is worthy of special mention because of the encroachment upon management responsibilities

and prerogatives which such undertakings are likely to produce):

1. The management of the department under review has representation on the investigating group and naturally lends more support to the effort.
2. It provides both an experienced inside and an objective outside viewpoint, and thus minimizes theoretical considerations.
3. It provides an indoctrination in organization planning and control for staff personnel who can assist in the execution of organization changes.

It soon became apparent that, to assure more lasting benefit from this effort, provision should be made for control divisions in each of the major departments to carry on where the efforts of the original group left off. In short, the organization control function for a company employing 18,000 people seemed too important to concentrate in one department and, as a consequence, each operating manager of a major department was given the support of a staff to perform it on a continuing basis.

As the study of organization gradually assumed the status of a recognized function, important changes in pattern followed. These included the elimination and consolidation of existing departments and the creation of new ones designed to meet the current organizational needs of the company. For example:

The ownership, custody, maintenance and operation of all motor vehicles in common service was assigned to a motor transportation department which operated as a contractor supplying motor-vehicle service to the company as a whole.

Again, materials procurement, store-keeping, reclamation and purchasing, each independently managed under several departments, were consolidated into one department—purchase and stores—to serve the company as a whole.

These and other organizational changes saved millions for the stockholders and laid the groundwork for long-range organization planning on a company-wide basis.

If the experience of this company is typical (and there is no reason to believe otherwise), most additions or expansions in organizations appear to be the result of immediate necessity. Accordingly, organization planning, in the past, has gone no further than to meet the current problem in hand. Often the assignment of important functions appears to have been decided on considerations of mere expediency. Which person in the management was least pressed for time? Which seemed to know something about the functions? The planning appears to have been along the lines of adding another room to a house already constructed.

Large sums are spent by business for research in physical, chemical, mechanical or marketing fields. The most important item of all, however, is the organization which directs and uses such research. Only businesses undergoing multiple consolidations or those being drastically reorganized can afford to clean house and start over from scratch. For the ordinary going concern, the problem is to discover the weaknesses and, through gradual changes over a period of years, establish its organization on a sound basis.

An important by-product of organiza-

tion planning in Standard Oil of California may be worthy of special mention. The company's wage and salary standardization plan was developed concurrently with its initial organization studies during the early 1930's.

Job descriptions and analyses prepared for organization studies contain the material essential to job evaluation. A thorough knowledge of organization is always necessary for the development and maintenance of wage and salary schedules.

Under a combination of functions in one staff department—i.e., organization planning and wage and salary standardization—pay schedules reflect the influence of organization changes currently as they enhance or lower the stature of jobs. It should be added that the administration of wages and salaries is a separate function handled by departmental management and coordinated through the company's employee relations department.

Looking to the future, the management has undertaken the task of maintaining continuous control over both the plan of organization and the size and efficiency of the organization under its direction. This is an important aspect of postwar planning because industry must adjust its forces to the needs of peacetime operations, which are likely to vary widely during the changeover period. Beyond this, there is the legal and moral obligation to re-employ returning military personnel which, in itself, presents a major organization problem. BY L. L. PURKEY. *Executives Service Bulletin*, Metropolitan Life Insurance Company, December, 1943, p. 3:3.

A New Tool for Interviewers

By FRED M. FOWLER

Occupational Information and Guidance Service
U. S. Office of Education

EMPLOYMENT interviewers should find their task greatly facilitated in the future through use of the Educational Experience Summary, a record of educational achievements and extracurricular activities now being issued by secondary schools.* Though devised primarily to aid in proper classification of inductees at reception centers, its usefulness in serving both the school leavers and their employers in civilian occupations is already being demonstrated in many widely separated localities.

Three primary values, in which the stake of the employer of beginning workers is obvious, are certain to derive from general use of the EES card: (1) aid to the employer in the better selection of beginning workers; (2) help to the school leaver in obtaining suitable employment; and (3) promotion of school-community relations.

In the absence of work experience records, the employing interviewer naturally must rely upon judgments of employability formed from other evidence. The value of school record data for this purpose is shown by the commonness with which such data are sought on application forms. However, the difficulty of securing complete and authoritative data at the time of the interview has deterred their fullest use, and as a result the interviewer is often forced to rely solely upon impressions formed in the interview in judging potential assets of applicants.

The obvious need for an easy, routine way of getting the desired school record data into the hands of the employer at the time the applicant is interviewed has been provided in the EES card.

The EES card is a summary, not a transcript. It expresses in terms meaningful to employers, and in convenient relationship, the most significant data from the applicant's total school record. It has the added virtue, because of nation-wide use, of uniformity of data and of language in which the information is expressed.

The card contains identifying information, including name, age, and date of birth, place of birth, and citizenship of parents.

Physical data, including height, weight, visual and hearing acuity, and record of any physical impairments, are helpful to the interviewer.

Employable and potential assets are reflected by the applicant's scholastic standing in various school subjects and his rank in class (and number in class) and by decile scores obtained on scholastic aptitude and standardized achievement tests.

Possession of employable skills is evidenced by a record of vocational training taken, supplemented by data on wage-earning experience while in secondary school. Special aptitudes are indicated by the results of any special aptitude tests and by records of achievements.

Interests are revealed by a record of likes and dislikes for school subjects and by a listing of hobbies and extra-curricular activities.

Useful judgments may be made concerning less tangible traits such as stability of purpose and consistency of effort.

The implementation of the Educational Experience Summary for military purposes which has already been accomplished, will greatly simplify the problems involved in establishing wide-spread civilian use. Together with the manual for its use, the EES card has been distributed in quantity to all secondary schools in the nation. In those schools where the procedure has been adopted, each school leaver beyond age 16 receives a copy properly filled in and signed by himself and the issuing school official.

While the burden of responsibility for initiating its use in facilitating civilian employment quite properly belongs to school officials, yet slight reflection will show the essential part which employers, singly or through established organizations, must play if effective use of the EES card is to be established.

* The EES card was devised by the Occupational Information and Guidance Service, U. S. Office of Education, in cooperation with the War Department, the War Manpower Commission, the Food Production Administration, and the National Association of Secondary School Principals.

Wages and Employee Training

BY the fall of 1943, some 7,000,000 men, women, boys and girls had received instruction for war jobs through government training services. Normally these workers would have been trained in the factories, but today management, pressed to get out orders, has willingly left a good share of such training to others.

Sometimes instruction is given in regular classrooms—some of it at university level; sometimes makeshift quarters are used in an old bank or church; sometimes plant facilities serve. Often training goes on around the clock, with one shift following the other into the classrooms.

When this training is given in the schools or through their facilities, the employer must meet certain conditions agreed upon by the U. S. Office of Education and the Wage and Hour and Public Contracts Divisions. The trainees engaged in production for private contractors must be employed by the contractor on the same basis and through the same procedure as other employees in his service, and under the same working conditions that prevail in the plant or are specified in the training plan. *They shall be paid at least the applicable minimum rate required under the Fair Labor Standards or the Walsh-Healey Act, whichever is higher, during the time they are actually engaged in production work for the private contractor.* The Administrator of the Divisions has interpreted this to mean that if the trainee performs any productive work for interstate commerce during a week, at least the minimum hourly wage rate shall be

paid him for all hours of training or other work during the week, and time and one-half the regular wage rate for all hours of training or other work in excess of 40 a week. (The only exception to this requirement is found in the case of certain training courses which meet the four conditions cited below.) Furthermore, the U. S. Office of Education stipulates that the rate of pay must be in accordance with any collective agreement effective for the same class of work in the plant.

The Wage and Hour and Public Contracts Divisions hold, in regard to the training of regular employees, that such training must be considered hours worked unless four criteria are met: (1) attendance is in fact voluntary; (2) the course is given outside of regular working hours; (3) no productive work is performed or goods are produced by the employee; and (4) the course is intended to train the employee to a new, different or additional skill.

The last criterion is sometimes confusing, for it is often debatable whether the skill being acquired is actually new, or merely one of greater proficiency. The Divisions recognize that in all likelihood such training, even for new work, will improve the worker's skill on his present job, but if it is designed to train the employee to a skill higher than that which he is regularly performing for the employer, and the course only incidentally improves the employee's skill in his regular work, then the Divisions consider that the fourth condition had been met; and, providing the other three are likewise met, the time spent in such

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programs need not be considered hours worked for which wages under the Act are required.

For example, a plant that has been working on steel automobile frames needs to train some of its force for work on airplane fuselages. It offers steel welders training in aluminum welding after working hours. Materials on which they work are destroyed. Those who do not wish to acquire the higher skill, and those who fail to acquire it, may continue in their present employment. In such case, time spent in class is not considered hours worked, for the training, given after hours, is in fact voluntary; it is for the acquisition of a new skill, and no productive work is involved.

On the other hand, other problem cases frequently involve a worker less skillful than the average. The employer suggests that he either attend class after hours or stay around and practice on scrap materials. He would then have to be paid, for such training would not be voluntary, since the implication is plain

that his job is dependent upon compliance with the employer's suggestion, and moreover the worker would not be acquiring a new, additional or different skill. Any laxity in this regard would permit abuse, and to allow such work to be done without the required compensation would be contrary to the basic employment provision of the Fair Labor Standards Act as interpreted by the Administrator. In general, hours worked include all time during which an employee, in the language of the Act, "is suffered or permitted to work," whether or not he is required to do so.

These examples merely indicate the kind of problems that are likely to arise. If the employer is not certain that the four criteria are met, he should consult with Wage and Hour officials to avoid violation of the law. Inquiries should be addressed to the Wage and Hour and Public Contracts Divisions, 165 West 46th Street, New York 1, N. Y. By FLORENCE A. MUFSON. *Mill & Factory*, November, 1943, p. 113:2.

Adjusted Wage Scale for Handicapped

INDUSTRY will be given government assistance in training of disabled war veterans under terms of an order by the Labor Department's wage and hour administrator which permit hiring of such workers at wages lower than those provided by the Fair Labor Standards Act.

Under the order's terms, industry may employ men whose productive capacity has been impaired at wages not less than 75 per cent of the labor law minimum. When training has enabled the men to take a normal role, their pay will rise to standard levels.

Temporary certificates authorizing employment of veterans with service-incurred disabilities at lower pay rates will be issued by representatives of the Veterans Administration designated by the Wage-Hour Administrator when employment at such rates is necessary to prevent curtailed employment opportunity.

A certificate will not necessarily be issued at a rate as low as 75 per cent of the minimum. In each case the rate will be set at a figure designed to reflect the individual trainee's earning capacity. A temporary certificate will not be issued for more than 90 days, but a special certificate may be issued thereafter for up to nine months. In certain cases, the training period may be extended beyond a year.

—NAM News 4/8/44

Dismissal Policy: A Check List

LAYOFFS and dismissals necessitated by the transition from war to peace conditions should be anticipated. A wise dismissal policy may do much to prevent labor grievances and to attract a better grade of peacetime employees.

1. Do you have such a policy?
 - (a) Will you grant dismissal pay? Can it rightfully be included in your canceled contract claims?
 - (b) Have you borne in mind the terms of labor contracts, which usually include seniority and other clauses affecting dismissal?
 - (c) Will you demote employees who have been substantially advanced for war purposes and thus avoid dismissing them?
2. How many employees will you dismiss?
 - (a) How many will go to other employment?
 - (b) How many will return to homes or schools?
 - (c) How many will be unemployed, seeking work, and drawing unemployment compensation? How will this affect your unemployment compensation? How will this affect your unemployment compensation merit rating?
3. Will you re-employ any of these persons after reconverting to peacetime operations?
 - (a) For how long will you lay them off?
 - (b) Will they be available when you seek to rehire them?
 - (c) Will you re-employ them in the same capacities?
 - (d) Have you considered how to utilize skills acquired by your employees for war work?
4. Are the people you now employ in war production adequately advised of the permanent or temporary nature of their employment?
 - (a) Do you require war workers to sign forms acknowledging that their work is for the duration of the war or for the duration of certain war contracts?
 - (b) Are you careful to avoid implying in your advertising that jobs are permanent when there is little likelihood that such jobs will continue after the war?
 - (c) Do your employees who have been recently promoted understand that their promotions might have been created by the induction of other employees into the armed services and that therefore their jobs may be merely for the duration?

—*Your Business and Postwar Readjustment* (University of Chicago Press, 1944)

Fellowships in Personnel Administration Announced

Two fellowships of \$500 each are offered by Radcliffe College for the year 1944-45 to women desiring to prepare themselves for positions in personnel administration.

Training for careers in this field is provided by a curriculum adapted to the objectives of individual students. Instruction will include academic courses in the Radcliffe Graduate School and special seminars in personnel problems given by members of the faculty of Harvard University Graduate School of Business Administration. Supervised field work experience will comprise full-time apprentice assignments in industrial, commercial and governmental organizations.

SPECIAL COLLECTIVE BARGAINING CONFERENCE

A Special Collective Bargaining Conference will be held by the American Management Association on Wednesday, May 24, at the Hotel Astor, New York City.

Production Management

Scheduling and Control of Production

THE exacting demands of wartime operations have brought about many improvements in production methods. Many of them may prove adaptable to the control of your post-war operations. Check yourself on the following points:

1. Upon what will you base your post-war production rate?
 - (a) Can you, as a result of market analyses, determine in advance a production policy based on straight-line flow production methods to a warehouse stock and fill orders therefrom; or
 - (b) Do you feel that you must await the receipt of actual orders before undertaking manufacture?
 - (1) Have you contemplated the effect on your markets of competitors who will be able to give better delivery promises than you will?
 - (2) Are you aware of the effect that awaiting orders will have on the peaks and valleys of production?
2. Have you considered costs and advantages involved in leveling seasonal production peaks and valleys?
 - (a) In the event that your seasonal variation in demand is so great as to make manufacture of a single product at a constant level throughout the year unprofitable or unworkable, would it be worth while for you to seek another product, the seasonal variation in which would make possible your fitting it into the periods of low production of your main item?
 - (b) Have you given consideration to manufacturing in the most economical-sized lots, remembering that the carrying costs of finished goods may be small enough to make such operation worth while?
3. Have you studied the use of quality control methods for your peacetime operations?
 - (a) Can you inspect by sampling?
 - (b) Is your inspection sufficiently coordinated with your production to reduce rejections and spoilage to a minimum?
 - (c) Does your inspection follow immediately the more critical operations so as to avoid further labor and machine expense on pieces to be scrapped?
 - (d) What can you do to help your subcontractors and suppliers meet your specifications?
4. Have you plans for scheduling and controlling deliveries from subcontractors and suppliers?
 - (a) How intimately can you integrate your suppliers' production and delivery schedules with your requirements?
 - (b) What wartime experience can you advantageously adjust to peacetime operations?
 - (c) Will new or improved transportation methods aid you in timing your inbound shipments?
5. Can you install effective inventory control methods?
 - (a) How far will you be able to benefit from experience under government inventory restrictions?
 - (b) Can you reduce working capital requirements by avoiding unduly large inventories of raw materials?
 - (c) Assuming price controls are

lifted, will reduction in cost resulting from speculative purchasing of raw materials be sufficient to offset savings effected by maintaining raw materials inventories at lower levels?

6. Have you investigated production control devices for your peacetime operations?

(a) What form will your control

charts, graphs and tables take?

(b) Will you need special equipment, such as files, control boards and tabulating machines?

From *Your Business and Postwar Readjustment*, edited by Leverett S. Lyon, James M. Barker and Guenther Baumgart. University of Chicago Press, 1944. 123 pages. \$1.00.

Disposal of Government-Owned Facilities

DURING the course of the war the Federal Government has completed or scheduled more than 2,500 industrial projects at an aggregate cost exceeding 15 billion dollars. It now owns a complex of productive facilities scattered through many industries and over the entire country. The disposal of these facilities as they are released by cutbacks in military production during the war or by the end of the war itself will be a matter of utmost importance to business.

It is estimated that reproduction cost new of the prewar (1939) manufacturing facilities of the country is somewhere between 50 and 60 billions of dollars. To this should be added wartime additions for private account of roughly 5 billions. The government-owned facilities will, therefore, amount to something like 20 per cent of the aggregate manufacturing capacity at the end of the war.

The first thing to be noted is the extremely uneven industrial distribution of the government-owned projects. Over 70 per cent in terms of cost fall in the metal and metalworking sector of manufacturing, which normally accounts for about one-third of manufacturing capi-

tal investment. The government's facilities will represent an expansion of more than two-thirds in the prewar investment in this sector, while its investment in the remainder of manufacturing will represent an expansion of only 10-15 per cent. It is obvious that the most acute problems of over-capacity will occur in the metal and metalworking field. Indeed, outside this field the government's holdings are so heavily concentrated in explosives and a few chemical specialties that they will offer no general competition.

An analysis of the industrial distribution of the government's investment indicates that well over half of it, probably two-thirds, is in capacity of little or no convertibility to other than the original purpose. It is so highly specialized that as a practical matter it must be used "as is" or not at all.

The distribution among lessee corporations is highly concentrated. One hundred fifty corporations (including subsidiaries) operate over 77 per cent of the value of these facilities. Thirty-one corporations, which operate more than 75 million dollars worth each, account for more than 50 per cent of the

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total, with an average of 240 million dollars per company.

About six million dollars is the average value of the industrial projects owned by the government. This average is almost meaningless, however, since the bulk of the investment falls in a relatively small number of very large projects. The steel mill at Geneva, Utah, for example, cost nearly 200 million dollars.

Very few of the facilities owned by the Army, Navy and Maritime Commission carry purchase options in favor of the lessee. About 80 per cent of DPC projects, in terms of value, are so covered, however. The options vary, but typically give the lessee the right to buy, on an all-or-nothing basis, within 90 days of the close of the emergency. The price is usually computed at the cost of the facility to the DPC, minus depreciation of 12 per cent per annum for equipment and 5 per cent for structures. If the lessee declines to take up his option, he is commonly given the further privilege, within 90 days of its expiration, of the refusal of the facilities at the best figure obtained by the government from other bidders, but only if the government elects to sell at that figure.

In view of the fact that the government facilities were constructed at high cost, due to overtime compensation and the wastefulness of extreme haste, and in view also of the fact that they will have been used during the war with exceptional intensity, it seems doubtful that very many of the options will be taken up, especially when we consider that many of the facilities will require considerable conversion before they are commercially usable and will be less de-

sirable for such use than new facilities designed originally for it. If this surmise is correct, it means that the overwhelming bulk of the government's holdings will have to be disposed of at negotiated prices.

Some writers have visualized trainloads of industrialists converging on Washington in the week after V-Day with purchase proposals for government-owned facilities, to which they will demand immediate "yes" or "no" answers. Discounting the exaggeration in this picture, it must be admitted that it has a substantial element of truth. In many cases industrialists will be confronted with the necessity of extreme haste in restoring their civilian production, prompted by zeal to get ahead of their competition and by a desire to minimize the dislocations to their workers and others resulting from the transition. In these cases it will be of utmost importance that the disposal authority be able to negotiate with speed and finality. Failing this, the industrialists may have to make other plans, thus removing a potentially desirable employment for the government's facilities, or resort to some arrangement for the use of these facilities which postpones the decision on the purchase price. The obvious resort for this purpose is a lease arrangement.

It is evident that if the disposal agency is to be in a position to make quick decisions on propositions submitted by would-be purchasers it must have completed a great deal of preparatory work, including an appraisal of the probable value of the facilities for different purposes and an analysis of the available market for them, so that it can decide whether a particular offer is or is not within a reasonable range. One mode

of preparation would be to sound out potential purchasers of the facilities before they are made available by cutbacks in military programs or the termination of hostilities. Even where the utmost preparation has been made, however,

there remains the question of the political feasibility of immediate sale at prices that represent sharp discounts from the amount the government has invested.

From a research memorandum by the Machinery & Allied Products Institute,

Redistribution of Machinery and Equipment

THE Redistribution Division of the War Production Board can aid you in obtaining or disposing of used machinery which is idle because of contract cancellations or cutbacks or for other reasons. Check yourself now on these points:

1. Do you use the records available in the regional offices of the War Production Board? (These lists include most types and sizes of available used industrial machinery and equipment, some of them almost new.)
 - (a) Have you considered improving the efficiency of your plant by replacing older machines with newer models?
 - (b) Do you know that any purchaser who can qualify under existing regulations may purchase this equipment? (The War Production Board can advise on this.)
 - (c) Do you know that the regional office of the War Production Board will aid you in locating machinery and equipment?
2. Do you utilize the regional office of the War Production Board in disposing of your used machinery or equipment?
 - (a) Have you listed idle equipment on forms WPB-2574 with a regional WPB office (metalworking machine tools on form OPA, WPB-100:1)? (Listing with one WPB regional office is sufficient; it is unnecessary to list in other regional offices or in Washington.)
 - (b) Do you know that there is no charge for listing? (The WPB merely functions as an intermediary between concerns in war or other essential work.)
3. Do you know what you must do to abide by OPA prices on sale or purchase of this machinery?
4. Are you watching WPB bulletins for announcements covering any changes in plans for disposing of government-owned equipment?

—*Your Business and Postwar Readjustment* (University of Chicago Press, 1944)

NOTE: The *WPB Redistributor*, which lists materials, machinery, equipment and machine tools for redistribution, is issued without charge to manufacturers and suppliers by WPB regional offices. Persons interested in acquiring stocks likely to be found in Army salvage may also be placed on lists to receive announcements of available salvage items by writing to the Commanding General (Attention: Salvage Officer), Army Service Command. Service commands are located in Boston, Mass.; Governor's Island, N. Y.; Baltimore, Md.; Atlanta, Ga.; Columbus, Ohio; Chicago, Ill.; Omaha, Neb.; Dallas, Tex.; Fort Douglas, Utah.

• **FOREMANSHIP MANUALS:** Seven practical manuals for foremen keyed directly to the war effort, have recently been published by Elliott Service Company, 219 East 44 Street, New York 17, N. Y. Titles are "How to Train Workers Quickly," "How to Handle Grievances," "How to Create Job Satisfaction," "How to Cut Waste," "How to Get Out More Work," "How to Correct Workers," and "Qualities of a Good Boss." For price list, address the publishers.

Marketing Management

How to Evaluate Educational Materials

THE war has called up a whole new army of business-sponsored teaching aids—meat substitute charts, sugar-saving recipe booklets, maintenance-of-equipment pamphlets, safety and salvage films, lesson plans on rationing, taxation, inflation, lend-lease, insurance. And teachers have welcomed business-sponsored educational materials to stimulate classroom interest and activity, to supply much-needed reference data, and to supplement textbooks. But business is still seeking a yardstick by which it can competently appraise these teaching tools and adjust them to existing curricula and changing needs.

What has business been doing in recent years to develop such a yardstick? Studying education. Examining curricula. Recognizing that certain school systems will not permit the use of business-sponsored teaching materials which are largely advertising or publicity. Finding out what media are best for business teaching aids—charts, pamphlets, news releases, films, lesson plans, exhibits. Securing competent educational advisers with whom to consult, not only on factual data and technical content but on form, appearance and distribution of teaching tools. And perhaps as important as any one other thing, learning that teaching aids must not only be fitted to school programs but geared to different educational uses and different levels of education—elementary and secondary schools, colleges, adult group training.

The production of, and the need for, business-sponsored tools will not end

with the war but rather increase. Hundreds of new products which are bound to make their appearance when consumer goods production begins again, together with the kaleidoscopic adjustments of a postwar world, will unquestionably call for many and diverse new teaching aids. How will such aids be judged by the school administrators and teachers who use them?

Recent surveys which the Committee on Consumer Relations in Advertising has made among representative groups of elementary and high school teachers provide fundamental parts of the answer. From these surveys, which have focused teacher attention upon type, form, use and content of material, have come findings and criteria which may serve as guideposts.

For example, on the source of materials, a majority of teachers rank teaching aids from the government, first; materials from business, second; materials from trade associations, third; and materials from consumer organizations, fourth. Though many teachers have no well-defined preference as to the source of materials within an organization, they do indicate a prejudice against materials from the advertising department, preferring teaching aids from an educational department. In many business firms today, such a special department is under the guidance of an experienced educator, whose task it is to maintain proper school relations.

One question which constantly confronts both business educational depart-

ments and the teachers they wish to serve is that familiar query, "Are business-sponsored teaching materials suitable for teacher use or can they be placed in the hands of students?"

The majority of elementary teachers surveyed state that they use the materials themselves and do not place them in the hands of students, with the obvious exceptions of motion pictures, lantern slides, wall charts and demonstration devices. On the other hand, more teachers at the high school level have found it desirable to place more materials in the hands of students as well as in library reference files.

Whether used by the instructor alone or given to the student, teachers surveyed felt that many of the materials developed by business had value in (1) motivating student interest, (2) improving classroom presentation, (3) providing information not generally available, (4) supplementing existing information, (5) objectifying concepts, (6) making abstractions concrete, and (7) lending new interest to bulletin boards.

Many types and forms of teaching aids, from pamphlets to samples, have proved their worth to teachers at all levels, and most teachers find that a variety of types is helpful in their work. However, in order of preference the teachers surveyed rank their choices as follows: (1) pamphlets or booklets, (2) wall charts, (3) samples, (4) motion pictures, (5) small illustrations, (6) lantern slides, (7) demonstration devices.

No preference rating can be accepted without qualifications or be used as an absolute guide to choice. Lower-elementary teachers, for instance, put samples, small illustrations, and wall charts at the

head of their list, while high-elementary and high school instructors rate pamphlets and booklets first. While surveys show motion pictures in fourth place, it must be remembered that many schools do not have projectors, that some state boards of education do not permit the use of films with advertising content, and that no matter how much teachers may like films in theory, educational techniques for using motion pictures are not well developed as yet.

As a group, elementary instructors prefer films emphasizing growing, cultivation and extraction of raw materials to be made into finished products; and as a logical continuation of this theme, high school teachers prefer pictures showing a product from raw state until it reaches the consumer. Buymanship pictures were favorites with the high school group, as opposed to the elementary teachers' choice of special product pictures or films telling a complete industry story. Both elementary and high school groups agreed that a picture developed around a story was best for teaching presentation, that color pictures were very desirable, and that at the high school level sound accompaniment was important.

In deciding whether to use business-sponsored educational materials or discard them, four factors will probably dictate the educator's final decision—the informative character of the materials, the physical presentation as this affects adaptability of the material to teacher or classroom use, the literary style of the piece, and the advertising content. By KENNETH DAMERON, Director, Committee on Consumer Relations in Advertising. *School Management*, January, 1944.

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Building a Postwar Recruiting File

THE sales training director of a firm in the air-conditioning field, who has been assigned the task of making postwar training plans, reports that the first folder in his postwar file consists of recruiting ideas. A chart of this company's sources of sales personnel has been keyed to indicate the probable grouping for postwar use. In Group A are the sources which it is believed will be the first to offer possibilities; Group B comprises sources which should prove most fertile in what may be termed the "transitional" period, between demobilization and full peacetime recovery.

GROUP A

(Immediate sources and subsequent predemobilization groups)

1. Present sales force recommendations
2. Present office force recommendations
3. Present factory recommendations
 - a. Supervisor and foremen recommendations
 - b. Employee recommendations
4. Promotions and transfers within the company
5. Customers' recommendations
6. Purchasing agents' recommendations
7. USES and private employment agencies
8. Newspaper and trade paper advertising
9. General magazine and radio advertising
10. Sales executives' clubs and associations

GROUP B

(Transitional period between demobilization and full peacetime recovery)

1. All Group A sources
2. Former salesmen for the company
3. Former salesmen for other companies
4. Schools and colleges
5. Fraternal organizations
6. Civic organizations
7. Church officials
8. Government officials
9. Business colleges
10. Banks, retail stores, and other commercial establishments

—The Dartnell Corporation

Reply Envelopes Aid Collections

IN recent tests of collection mailings, Spiegel, Inc., found that use of reply envelopes increased the percentage of collections received. In one test 798 collection letters were dispatched without including business reply envelopes. From these letters remittances were received from 42.85 per cent. In addition, 6.78 per cent requested extensions, totaling 49.63 per cent who answered.

In a similar mailing of 798 letters, including business reply envelopes, 45.12 per cent remittances were received with 16.80 per cent requests for extension, making a total of 61.92 per cent responding. Many collection letters do not include business reply envelopes, but where the letters are addressed to individuals, as in the case of Spiegel's, the extra expense of the reply envelopes appears fully justified.

—American Business 1/44

Back the Attack!—Buy War Bonds

Financial Management

The Cost of Reconversion

TO provide some factual information on the controversial subject of the cost of postwar reconversion of productive facilities, the National Association of Cost Accountants made a questionnaire survey of companies whose facilities were devoted at least 25 per cent to war production. A total of 189 responses were received, 169 from small and medium-sized companies and 20 from large organizations.

Of the 169 questionnaires received from small and medium-sized companies, 69 were from companies which will not encounter the problem of reconversion. Five of the large companies will not have this problem.

The questionnaire replies indicate that a relatively large number of companies now engaged in war production will be able to transfer to peacetime production with little delay and at a negligible cost at the end of the war or by stages as war production is curtailed. The fact that some companies will have little or no expense in reconversion, while the cost will vary widely for others (as indicated later in the survey), emphasizes the type of inequity which arises from the failure to allow as wartime costs for tax and government contract purposes those costs arising after the war which are related to wartime production. The disallowance of such costs has the effect of penalizing those companies which have made the greatest conversion of facilities.

For the purpose of this study it was thought best to distinguish between the

reconversion of facilities converted from peacetime production to war production and the *conversion* to peacetime production of facilities acquired during the war for war production. Of the 100 small companies from which we have estimates of the cost of reconverting previously converted assets and of converting assets acquired during the war, 66 face both reconversion and conversion, 28 face reconversion only, and six face conversion only. Of the 15 large companies on which we have information, one faces conversion only; the other 14 face both conversion and reconversion.

Considering first the estimated cost of reconverting to peacetime production facilities previously converted to war production, it is interesting to compare the estimated cost of reconversion with the former cost of conversion. Of the 94 small companies which supplied data, 21 estimate that the cost of reconversion will be the same as the cost of conversion, 20 estimate a higher amount, and 53, or more than half, estimate that reconversion costs will be less than conversion costs for the same facilities. The 94 small companies estimate that \$7,031,300 will be required to reconvert facilities which were converted to war production at a cost of \$9,835,500.

Of the 14 large companies which face reconversion, four estimate cost equivalent to the cost of former conversion, three estimate higher cost, and seven estimate lower cost. These companies spent \$31,637,000 on converting facilities to war production, but estimate that the

cost of reconversion will amount to \$21,630,000.

Turning now to the estimated cost of converting assets acquired during the war, we find that all but nine of the 94 small companies considered above acquired new facilities for use in war production. In addition, 22 other companies which are not faced with reconversion have new assets acquired for war production. With respect to conversion of these facilities acquired during the war, these 107 companies can be grouped as follows:

23 companies will not convert these facilities to peacetime use.

12 companies can use these facilities for peacetime production without conversion.

9 companies will convert in part only.

63 companies will convert at the estimated costs reported.

All the 15 large companies for which data are available plan to convert in whole or part the facilities acquired during the war.

As a further indication of the significance of the estimated cost of reconversion and conversion, members were asked to report the per cent which the estimated expenditures represented of the reported profits of their companies for 1942 (1) before income and excess profits taxes and (2) after income and excess profits taxes.

For over one-half of the companies which must both reconvert and convert facilities, the estimated cost of reconversion and conversion will amount to:

For small companies (1942 sales under \$20,000,000):

15 per cent or more of 1942 profit before taxes;

50 per cent or more of 1942 profit after taxes.

For large companies (1942 sales over \$20,000,000):

9 per cent or more of 1942 profit before taxes;

29 per cent or more of 1942 profit after taxes.

To provide some indication of where companies expected to obtain additional liquid resources to meet reconversion costs, respondents were asked to state the sources from which their companies expected to obtain funds to finance postwar reconversion and conversion, where working capital was likely to be insufficient. Of the 100 small companies, 19 did not answer this question on the source of current funds. Twenty-four of the remaining 81 companies reported that they felt that the working capitals of their companies will be sufficient. The majority of the companies which anticipate a need for added working capital will depend on bank loans—35 companies out of 57. In addition, nine companies refer to V-loans and six to VT-loans. Of the remaining seven companies, two expect to use government loans as a source of working capital, one plans a real estate mortgage, one expects to get the needed funds from its parent company, one plans to issue capital stock, one will depend on loans from stockholders, and one will depend on loans from stockholders and directors.

Seven of the 15 large companies anticipate that working capital will be sufficient; five will depend on V-loans; one will use the banks; and one company feels that postwar refunds and refunds under Sec. 722 of the revenue code with advance payments on canceled contracts will prove sufficient.

N.A.C.A. Bulletin, Section III, February 1, 1944. 21 pp.

(This study also discusses special amortization and conversion, the relation of reconversion costs to working capital, reserves for reconversion, etc.—Ed.)

Insurance

The Pension Rush

BUSINESS is seeking to put millions of its wartime dollars into new or revamped pension plans for employees. That's the indication of a *Wall Street Journal* survey among pension experts in nine industrial centers.

Retirement projects have several major appeals for employers: (1) Corporate earnings are high at this time, and payments to pension funds can be subtracted from taxable income if approved by the Treasury; (2) pensions promise future compensation to employees and officials whose salaries are frozen now by stabilization; (3) they tend to improve management-employee relationships and cut down worker turnover.

Evidence of the pension boom stacks up daily on Treasury desks. The Internal Revenue Bureau is swamped with hundreds of applications from corporations which want to find out if their pension projects qualify for income-tax deductions. Tax men expect 10,000 prospective plans before the end of this year.

Most proposals coming to the Treasury now are for new plans, but existing pension funds are also due for examination. All pension trust plans which were on company books before September 1, 1942, must requalify before December, 1944, to be eligible for tax exemption under the 1942 Revenue Act.

Each plan gets a thorough going-over by Treasury experts on the basis of its own merits, but a few general qualifications have been set down. To rate as a

tax deduction, any pension plan since September 1, 1942, must be permanent; and it cannot be a subterfuge for distribution of profits. The fund must be set up solely to provide the employee with a share in capital or profits or a livelihood after retirement. Furthermore, there must be no discrimination against any employees.

Since the employer's contribution to the plan is considered deferred compensation, it would not be fair to set up the pension in such a way that the employee could lose that compensation either through discontinuance of the plan or through provisions difficult or impossible to meet.

Classified plans (those that exclude some salary groups) have to be integrated with Social Security to get the Treasury's stamp of approval. Thus a pension plan exclusively for employees making more than \$3,000 would not qualify if it gave retirement benefits out of proportion with old-age payments which lower wage earners will receive from Social Security.

For instance, a man making \$3,000 a year would qualify for Social Security payments of \$1,020 a year when he retired at 65. This is the highest payment which the government system makes to anyone. It amounts to 34 per cent of salary. A limited pension plan which gave higher-paid employees 45 per cent of their salaries, for example, would be disqualified because it is out of alignment with Social Security.

A large number of the new plans seem

to be non-contributory—the employer pays all. Penn Mutual Life Insurance Company reports a “great majority” of employer-paid funds.

How income tax reduction works as a major incentive for setting up or revising retirement funds can be seen in the proposed pension plan of Libbey-Owens-Ford Glass Co., of Detroit:

The entire cost of pensions for salaried employees making over \$3,000 a year will be paid by the company. At the outset the firm plans a lump sum contribution to cover accruals for past services, estimated at \$1,153,066. Under the present law one-tenth of this would be deductible from the company's taxable income in each of the ensuing 10 years. Assuming only the present 40 per cent normal tax continues, the net cost of this past service would be reduced to \$691,840.

Libbey-Owens expects its first annual contribution to be \$152,671. But after deduction of 40 per cent normal tax, the year's total comes down to \$91,603. For companies paying the excess profits tax, in addition to the 40 per cent, such payments would be drastically reduced.

Employers are thinking of pension plans as more than mere assets at income-tax time, however. More than half the new retirement plans surveyed apply only to employees earning salaries of \$3,000 a year or more. These will provide retirement benefits for higher-bracket employees more in proportion to those which Social Security offers lower wage earners.

Companies with uncertain postwar prospects are steering clear of pension

projects. In Cleveland this is true of some machine-tool outfits. They remark that once you're in a pension plan you can't duck out without labor trouble. And a company which drops such a program without adequate reasons has to refund all tax deductions gained originally.

Some companies provide profit-sharing trusts for their employees. These are, strictly speaking, not pensions, but they serve the same purpose of providing future security for employees.

Smaller firms and those with uncertain postwar prospects are favoring the profit-sharing trust. Under this system a percentage of the employee's salary each year is placed in a trust fund, with the employer also contributing. The money so accumulated is available to the employee with interest after a number of years.

Such profit-sharing trusts have been attacked as “tax evasion schemes designed for distribution of war profits,” but unless the primary design of the plan appears to be the employee's benefit, the Treasury will not approve it.

Employees of the Associates Investment Co., South Bend, Ind., will pay 2 per cent to 5 per cent of their salaries into the company's prospective pension fund. The company will provide 5 per cent of its income before taxes up to one-tenth the amount allocated to stockholders. The plan covers all the company's 500 employees; it will be handled by two employees and two representatives of management, or trustees. *The Wall Street Journal*, March 23, 1944, p. 1:2.

Back the Attack!—Buy War Bonds

Industrial Hazards and Their Prevention

THE causes of industrial accidents are not confined to tools, machines and working environment; such accidents are often the consequence of complicated psycho-physical personal deficiencies and are also greatly dependent on uncontrolled external influences. It is the duty of the medical service to determine the existence of such conditions, and the task of the engineering department to eliminate the causes, provided they are technical and not individual deficiencies.

A recent analysis of 3,600 industrial accidents which occurred in small to medium-sized factories over a 4½-year period yields a number of significant findings. For example, the warmer season, compared with the winter months, shows a slight increase in accidents. In some years this seasonal increase is especially characteristic. The development of untoward symptoms of fatigue and discomfort, due to climatic influence, is certainly responsible for the seasonally rising rate of accidents.

The observation has been made by Hope that industrial accidents show a seasonal fluctuation similar to that recorded in the amount of production. The accidents are more frequent in summer and under poor ventilation than in winter and under adequate ventilation, with one exception: very low temperatures may cause many accidents through stiffness of hands and slipping of tools.

It is well known that most accidents occurring during main working hours reach their peak in the morning between 9 and 11 o'clock and in the afternoon between 2 and 4 o'clock. The survey on

which this article is based indicates that the number of accidents in the two critical morning hours is higher than in the two afternoon hours.

Increasing physical fatigue is certainly responsible for the growing number of accidents between 2 p.m. and 4 p.m. but cannot be cited as an explanation for the large number of injuries in the interval between 9 a.m. and 11 a.m. The number of accidents falls sharply after 11 o'clock and reaches the lowest stand at the usual lunch hour between 12 and 1 o'clock, to increase again after 1 p.m. There cannot be any doubt that the increased number of accidents in the morning is preponderately a medical problem only. A complex of different personal components is responsible for this morning phenomenon, including:

1. Mental fatigue.
2. Lack of concentration.
3. Lack of sleep.
4. Need for food.
5. Lack of vitamins (especially vitamin B complex).
6. Need for a short period of rest.
7. Dislike of work.
8. Abuse of alcohol or nicotine or both, especially the night before.
9. Sexual overindulgence.

The connection between impaired health and liability to accidents should not be overlooked. The Industrial Fatigue Research Board of Great Britain observed that persons sustaining the most accidents are those most frequently seeking medical dispensary advices for minor illnesses. Forster estimates that about one-fourth of all workers are "accident prone."

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Sappington found that women, rated by physical examination as third class, had nine times (men two times) more accidents than those rated first class, despite the fact that those rated third class physically were employed in places with low accident risks.

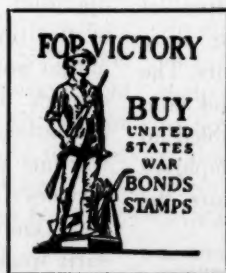
According to Henninger and his collaborators, about 20 per cent of all industrial accidents could be prevented by mechanical means and by education of employees. An intensive, interesting safety education program would, without doubt, greatly aid the unified efforts of all interested organizations.

It is unnecessary to stress the importance of protective, spark-proof clothing for special jobs, but it seems advisable to emphasize how important are good shoes with sturdy leather soles. Working clothes, in general, should be of such kind that any danger of being caught by a moving machine part is excluded. Women should cover their hair, and men should avoid long ties. To protect the feet from flying or splashing particles or sparks, and as prevention against ankle sprains, high shoes seem to be far better than low ones. Leather gaiters are also recommended. Protection of toes by means of steel reinforced caps (safety shoe) is constantly neglected. The disin-

clination of so many employees to buy special footwear induced Toland to construct a new safety device, consisting of a steel guard placed over regular shoes. This appliance is adaptable to all kinds and sizes of shoes and, with proper maintenance, is of unlimited durability. It protects not only toes but also the whole dorsum of the foot. The light weight does not interfere with walking and does not cause fatigue. Change of size can be accomplished readily through simple shortening or widening of the steel bands. The entire guard may be removed when lighter work is being done.

Among other safety devices worn by workers, we should like to mention the more important: helmets, breathing masks, protective shields for welders, eye and face shields, gloves, special asbestos outfits, rubber gloves and shoes for persons working on high-tension machines or conducting wires, etc.

Goggles deserve special consideration. Wearing goggles, not merely having them, provides the eye protection desired. It is the duty of all plant managements, safety directors, superintendents and physicians to insist upon wearing of goggles wherever eye hazards exist. BY JOSEPH J. TOLAND, JR., M.D. and IGHO KORNBLUEH, M.D. *Industrial Medicine*, August, 1943, p. 534:11.



Unemployment Compensation Program

TO ease the problem of postwar unemployment, an unemployment compensation program has been devised by Sonora Radio & Television Corporation, Chicago. This company now produces aircraft communications equipment.

The plan provides for payments of \$20 per week for a maximum of 18 weeks in the event that any employee is laid off. Such payments will begin after the 18 weekly payments from the state have been received; but if for any reason the state payments are not made to the employee, the Sonora payments will begin immediately. The company will bear the entire cost of the program, which was developed primarily to care for employees who will be without work as a result of conversion of the plant from war production to peacetime activities.

Employees in the armed services will be eligible to share in the program upon their discharge. In the event that they have been killed, the Sonora plan provides for payment to their next of kin of a sum equal to 18 weeks' unemployment compensation.

—*Dun's Review* 1/44

Survey of Books for Executives

Employee Counseling: A Survey of a New Development in Personnel Relations. By Helen Baker. Industrial Relations Section, Princeton University, Princeton, N. J., 1944. 64 pages. \$1.00.

*Reviewed by J. H. Mason**

This report is an excellent exposition of employee counseling programs as they are currently operating in representative war industries and federal agencies. It comprises a thoughtful evaluation of data gathered from some 60 or more organizations employing counselors. The data, treated in an objective and consistent manner, has been assembled to show the aims and growth of employee counseling, the duties of counselors, the

status of counseling in the organization, and the size and qualifications of a counseling staff. The entire report should prove of value to administrators interested in improving existing counseling services and to those contemplating establishing such services. Section VI ("Summary and Conclusions") gives constructive suggestions on factors to be considered in the development of a program.

Although the counseling services established in war industries had been in operation in many cases less than a year at the time the survey was made, the author points out that plants progressive enough to recognize the need for strengthening personnel practices under wartime pressure by instituting special services for employees have also been alert enough to observe and correct early weaknesses in their counseling pro-

* Chief, Employee Relations Branch, Civilian Personnel Division, Office, Secretary of War, War Department.

grams. From the report it is apparent that changes are designed to place greater emphasis on counseling as a part of the management process. The result is that counselors are ceasing to be "worry chasers," as they have been facetiously called in some plants, and are gaining stature as reliable aides to management in meeting and correcting situations which cause maladjustment among workers.

Wide though the variations are in specific duties and responsibilities assigned counselors among the organizations surveyed, "The typical program . . . appears to be one which includes a number of personnel activities previously handled by someone else in the personnel department, a wide range of informational services, and some 'real' counseling in the sense of contributing to the personal orientation of the individual." There is general agreement that counselors should work *through* and *not around* supervisory personnel. Similarly it is agreed that union prerogatives should not be infringed upon; complete understanding and cooperation are as important from organized labor as from management itself.

From her review of many operating programs, the author concludes that counseling can function to greater advantage when it operates as an integral part of the personnel program so that "balance and coordination between the counseling service and other personnel activities" can be achieved. She points out, in support of this conclusion, that when counselors were associated with the line organization as assistants to foremen "disciplinary duties assigned . . . were likely to deter employees from discussing their problems freely . . . ,"

thus limiting the effectiveness of the counselors. There is substantial reasoning behind this conclusion, for technically trained counselors themselves "object to the role of disciplinarian and feel it is not compatible with counseling."

Full recognition is given the need for appropriately qualified persons in counseling positions. The lack of selection standards in private industry is compared with the practices in government, where "the United States Civil Service Commission has given extensive consideration to the qualifications necessary for counselors" and approves for appointment only persons possessing these qualifications. In the companies surveyed, where full appreciation exists of the potential value of counseling by well-qualified people, "Emphasis is given particularly to the study of psychology and sociology and to experience gained through vocational guidance, social case work, personnel work, nursing and medical training supplemented by experience in the application of mental hygiene principles."

The importance of appropriate records to facilitate the counseling process and to serve as a basis for interpretations and reports to management is stressed. Actual records of individual counseling interviews are kept confidential; however, the information obtained serves as a basis for "recommendations to management on problems and dissatisfactions revealed in employee interviews." Through "a record of action taken on any of the matters reported," the counselor is able to determine "in what areas counseling could be most effective and to define better the direction and limits of her activities." It is the opinion of this reviewer that appropriate interpretation

and use of information gathered from counseling records are of inestimable value in progressive personnel management planning.

The author is cautious when making predictions concerning the future of

counseling, and a number of questions are posed for consideration. However, numerous executives supplying data for the study "expressed the opinion that counseling is likely to become a permanent part of the personnel program."

Briefer Book Notes

YOUR BUSINESS AND POSTWAR READJUSTMENT. Edited by Leverett S. Lyon, James M. Barker and Guenther Baumgart. The University of Chicago Press, Chicago, 1944. 123 pages. \$1.00. Here is a practical manual for executives engaged on specific postwar problems. Part I outlines general problems which American business confronts in postwar readjustment and the relationship of government to those problems; Part II discusses war problems significantly affecting postwar operations; and Part III provides a comprehensive and helpful check list of questions to guide operating executives in their postwar planning.

HANDBOOK OF LABOR UNIONS. By Florence Peterson. American Council on Public Affairs, Washington, D. C., 1944. 415 pages. \$5.00. A valuable reference work on labor organizations, presenting factual information about each of the International and National unions which comprise the American labor movement at the present time. Assembled under 17 major headings, the information in the volume has been taken almost entirely from the constitutions and by-laws of the unions concerned.

WHERE'S THE MONEY COMING FROM?—*Problems of Postwar Finance.* By Stuart Chase. The Twentieth Century Fund, New York, 1943. 179 pages. \$1.00. After the war, America will have the resources, the plant and the manpower for an age of abundance. But where's the money coming from to pay the costs of war, the necessary expenses of the transition period, and then finance prosperity in postwar America? Mr. Chase addresses himself confidently to this crucial question and outlines the means which exist for controlling our economic future. This is the third of six exploratory reports on postwar problems being prepared by the author for The Twentieth Century Fund.

PENSION, BONUS, AND PROFIT-SHARING PLANS. By Esmond B. Gardner and C. Jerome Weber. The Chase National Bank of the City of New York, New York, 1943. 92 pages. Gratis. Discusses the provisions of employee pension, bonus and profit-sharing plans, the actuarial factors involved, and the different methods of financing the plans.

INDUSTRIAL SAFETY. Edited by Roland P. Blake. Prentice-Hall, Inc., New York, 1943. 435 pages. \$5.00. This manual of industrial safety principles will prove particularly useful as a text for safety engineering classes and as a reference work for those conducting safety programs in industry. Its 31 chapters were contributed by men with long practical experience in industrial safety.

OPERATIONS MANUAL FOR PLACEMENT OF THE PHYSICALLY HANDICAPPED. United States Civil Service Commission, Washington, D. C., 1943. Available from U. S. Government Printing Office, Washington, D. C. 276 pages. Gratis. This manual, based on an analysis of approximately 2,000 positions in 105 governmental establishments and in private establishments holding government contracts, lists the various occupations for which persons with particular physical handicaps are fitted. Though addressed primarily to those concerned with recruitment, training and placement in the federal civil service, the manual should facilitate the industrial placement of disabled veterans and workers during and after the war.

THE NUTRITION FRONT. New York State Joint Legislative Committee on Nutrition, The State Capitol, Albany, N. Y., 1943. 286 pages. A compendium of reports by dietary experts covering nutritional problems of particular and immediate concern to New York State. Other states also will find the book valuable, and it contains a wealth of information on the feeding of workers which makes it recommended reading for industrial nutritionists.

PUBLICATIONS RECEIVED

Fundamentals of Mechanical Inspection: For Trainees and Junior Inspectors. By Rolland Jenkins. McGraw-Hill Book Company, Inc., New York, 1944. 179 pages. \$1.75.

Guide to Postwar Sales Planning. National Association of Manufacturers, New York, 1944. 15 pages. Gratis.

Absenteeism . . . Realities and Remedies. Industrial Relations Department, National Association of Manufacturers, New York, 1943. 30 pages. Gratis.

Postwar Tax Policy and Business Expansion. By Lewis H. Kimmel. Pamphlet No. 53, The Brookings Institution, Washington 6, D. C., 1943. 46 pages. 50 cents.

Accounting Problems in War Contract Termination, Taxes, and Postwar Planning. (Papers Presented at the Fifty-Sixth Annual Meeting of the American Institute of Accountants, October 18-21, 1943). American Institute of Accountants, New York, 1943. 180 pages. \$1.00.

The Basic Vocabulary of Business Letters. By Ernest Horn and Thelma Peterson. The Gregg Publishing Company, New York, 1943. 236 pages. \$2.00.

The Evaluation of Receivables and Inventories as an Integral Phase of Credit Analysis. By Edward F. Gee. Bankers Publishing Company, Cambridge, Mass., 1943. 224 pages. \$3.50.

The A.B.C.'s of Motion Economy. By Andrew R. Kosma. Institute of Motion Analysis and Human Relations, Newark, N. J., 1943. 133 pages. \$3.00.

Everyday Business Speech. By Alfred D. Huston and Robert A. Sandberg. Prentice-Hall, Inc., New York, 1943. 316 pages. \$3.65.

The Financing of Large Corporations, 1920-39. By Albert Ralph Koch. National Bureau of Economic Research, New York, 1943. 141 pages. \$1.50.

History of Macy's of New York, 1858-1919. By Ralph M. Hower. Harvard University Press, Cambridge, Mass., 1943. 509 pages. \$3.75.

Practical Fire and Casualty Insurance. By J. Edward Hedges. The National Underwriter Company, Cincinnati, Ohio, 1943. 278 pages. \$2.50.

Financial Implications of the Peace. By Roy A. Foulke. Dun & Bradstreet, Inc., New York, 1943. 71 pages. Gratis.

I Took a War Job. By Josephine von Miklos. Simon and Schuster, New York, 1943. 223 pages. \$2.00.

Manpower Utilization Through Production Control. Policyholders Service Bureau, Metropolitan Life Insurance Company, New York, 1943. 34 pages. Gratis.

War Damage Insurance Manual. Insurance Exchange of Los Angeles, Los Angeles, Calif., 1943. 138 pages. \$1.00.

The American Story of Industrial and Labor Relations. New York State Joint Legislative Committee on Industrial and Labor Conditions, New York, 1943. 315 pages. \$1.50.

Industrial Seeing. Loss Prevention Department, Liberty Mutual Insurance Company, Boston, 1944. 12 pages. Gratis.

The Woman Counselor in War Industries: An Effective System. By Dorothy K. Newman. Special Bulletin No. 16, Women's Bureau, U. S. Department of Labor, February, 1944. Available from the Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C. 13 pages. 5 cents.

Planning the Future of Your Business. Prepared by the Association of Consulting Management Engineers for the Committee for Economic Development, 285 Madison Avenue, New York 17, N. Y., February, 1944. (Available through local C.E.D. offices.) 23 pages. Gratis.

What Will Social Security Mean to You? By Bion H. Francis. American Institute for Economic Research, Cambridge, Mass., 1943. 88 pages. \$1.00.

Personnel Management in Relation to Factory Organization. By L. Urwick. Institute of Labour Management, Aldwych House, Aldwych, London, W.C.2, 1943. 27 pages. 1s.

- **Production of Industrial Materials in World Wars I and II.** By Geoffrey H. Moore. National Bureau of Economic Research, Inc., New York, 1944. 81 pages. 50 cents.
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- Social Security in America: Addresses from the National Conference on Social Security.** Chamber of Commerce of the United States, Washington, D. C., 1944. 103 pages. Single copies gratis to Chamber members; non-members, \$1.00.
- Guide to Cost Study in Corporation Postwar Planning.** National Association of Manufacturers, New York, 1944. 26 pages. Gratis.
- The Employee Counselor in Industry.** Policyholders Service Bureau, Metropolitan Life Insurance Company, New York, 1944. 28 pages. Gratis.
- Wartime Labor Relations.** By John H. Mariano. National Public and Labor Relations Service Bureau, Inc., 110 East 42nd Street, New York, 1944. 216 pages. \$2.75.
- Guide to Postwar Product Development.** National Association of Manufacturers, New York, 1944. 14 pages. Gratis.
- The Mining Industries, 1899-1939: A Study of Output, Employment and Productivity.** By Harold Barger and Sam H. Schurr. National Bureau of Economic Research, Inc., New York, 1944. 452 pages. \$3.00.
- Financing Inventory on Field Warehouse Receipts.** By Neil H. Jacoby and Raymond J. Saulnier. National Bureau of Economic Research, Inc., New York, 1944. 89 pages. \$1.50.
- Recruiting Women Workers.** Policyholders Service Bureau, Metropolitan Life Insurance Company, New York, 1944. 44 pages. Gratis.
- American Housing: Problems and Prospects.** The Twentieth Century Fund, New York, 1944. 488 pages. \$3.00.
- The Labor Force in America.** By Clarence D. Long. National Bureau of Economic Research, Inc., New York, 1944. 73 pages. 50 cents.
- Wartime Government in Operation.** By William H. Nicholls and John A. Vieg. Sponsored by the American Council on Public Affairs. The Blakiston Company, Philadelphia, Penna., 1943. 109 pages. \$1.50.
- Out of the Kitchen—Into the War: Woman's Winning Role in the Nation's Drama.** By Susan B. Anthony II. Stephen Daye, Inc., New York, 1943. 246 pages. \$2.50.
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- Automobile Maintenance** (War Plant Employee Transportation Booklet Number 3). National Conservation Bureau, National Association of Manufacturers, New York, 1943. 15 pages. Gratis.
- Your Corporation Tax** (1944 Edition). By J. K. Lasser. Simon and Schuster, New York, 1944. 144 pages. \$1.00.
- Economic Reconstruction: A Study of Postwar Problems** (Volume I—National, Industrial and Regional Planning). By J. R. Bellerby. The Macmillan Company, New York, 1943. 396 pages. \$5.00.
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- Modern Industrial Leadership** (A Special Program of Ten Lecture-Conferences on "How Foremen Can Meet Today's Challenge"). By Jerald A. Foster Brannon. National Foremen's Institute, Inc., Deep River, Conn., 1942-1943. \$6.50.
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- Regional Shifts in Population, Production, and Markets, 1939-43.** By K. C. Stokes. Economic Series No. 30, Bureau of Foreign and Domestic Commerce, Department of Commerce, Washington, D. C., 1943. 66 pages. Gratis.